



## ANNUAL FINANCIAL REPORT

*For the Year Ended 30 June 2023*

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**Certification of the Financial Statements**

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.



Kathy Fulton - Certified Practicing Accountant

**Principal Accounting Officer**

Date : 19-September-2023

Daylesford

In our opinion the accompanying financial statements present fairly the financial transactions of Hepburn Shire Council for the year ended 30 June 2023 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify the financial statements in their final form.



Mayor Cr Brian Hood

**Councillor**

Date : 19-September-2023

Daylesford



Deputy Mayor Cr Lesley Hewitt

**Councillor**

Date : 19-September-2023

Daylesford



Bradley Thomas

**Chief Executive Officer**

Date : 19-September-2023

Daylesford

# Independent Auditor's Report

## To the Councillors of Hepburn Shire Council

**Opinion** I have audited the financial report of Hepburn Shire Council (the council) which comprises the:

- balance sheet as at 30 June 2023
- comprehensive income statement for the year then ended
- statement of changes in equity for the year then ended
- statement of cash flows for the year then ended
- statement of capital works for the year then ended
- notes to the financial statements, including significant accounting policies
- certification of the financial statements.

In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2023 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 4 of the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020* and applicable Australian Accounting Standards.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Councillors' responsibilities for the financial report** The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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MELBOURNE  
5 October 2023



Travis Derricott  
*as delegate for the Auditor-General of Victoria*

## Comprehensive Income Statement For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Income / Revenue</b>			
Rates and charges	3.1	24,866	23,745
Statutory fees and fines	3.2	1,013	963
User fees	3.3	1,154	814
Grants - operating	3.4	14,243	14,833
Grants - capital	3.4	9,603	4,940
Contributions - monetary	3.5	1,100	518
Contributions - non monetary	3.5	-	38
Other income	3.7	2,057	1,298
<b>Total income / revenue</b>		<b>54,036</b>	<b>47,149</b>
<b>Expenses</b>			
Employee costs	4.1	18,673	17,742
Materials and services	4.2	23,188	20,723
Depreciation	4.3	8,750	8,469
Bad and doubtful debts - allowance for impairment losses	4.4	(3)	33
Borrowing costs	4.5	146	188
Net loss on disposal of property, infrastructure, plant and equipment	3.6	2,973	1,346
Other expenses	4.6	2,903	4,213
<b>Total expenses</b>		<b>56,630</b>	<b>52,714</b>
<b>Surplus/(deficit) for the year</b>		<b>(2,594)</b>	<b>(5,565)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	6.1	23,951	20,114
<b>Total other comprehensive result</b>		<b>23,951</b>	<b>20,114</b>
<b>Total comprehensive result</b>		<b>21,357</b>	<b>14,549</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

## Balance Sheet As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1(a)	14,274	6,579
Trade and other receivables	5.1(c)	6,892	6,860
Other financial assets	5.1(b)	4,202	17,202
Inventories	5.2(a)	13	17
Prepayments	5.2(b)	55	117
<b>Total current assets</b>		<b>25,436</b>	<b>30,775</b>
<b>Non-current assets</b>			
Property, infrastructure, plant and equipment	6.1	364,442	343,348
<b>Total non-current assets</b>		<b>364,442</b>	<b>343,348</b>
<b>Total assets</b>		<b>389,878</b>	<b>374,123</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3 (a)	3,488	3,099
Trust funds and deposits	5.3 (b)	1,496	1,169
Unearned Income /revenue	5.3 (a)	2,540	8,191
Provisions	5.5	2,747	2,723
Interest-bearing liabilities	5.4	408	629
<b>Total current liabilities</b>		<b>10,679</b>	<b>15,811</b>
<b>Non-current liabilities</b>			
Provisions	5.5	464	514
Interest-bearing liabilities	5.4	3,494	3,897
Other liabilities		42	60
<b>Total non-current liabilities</b>		<b>4,000</b>	<b>4,471</b>
<b>Total liabilities</b>		<b>14,679</b>	<b>20,282</b>
<b>Net assets</b>		<b>375,199</b>	<b>353,840</b>
<b>Equity</b>			
Accumulated surplus		149,684	155,156
Reserves	9.1	225,515	198,684
<b>Total equity</b>		<b>375,199</b>	<b>353,840</b>

The above balance sheet should be read in conjunction with the accompanying notes.

### Statement of Changes in Equity For the Year Ended 30 June 2023

2023	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year	353,840	155,156	195,198	3,486
Surplus/(deficit) for the year	(2,594)	(2,594)	-	-
Net asset revaluation increment/(decrement) 6.1	23,951	-	23,951	-
Transfers to other reserves 9.1 (b)	-	6,307	-	(6,307)
Transfers from other reserves 9.1 (b)	-	(9,187)	-	9,187
<b>Balance at end of the financial year</b>	<b>375,199</b>	<b>149,684</b>	<b>219,149</b>	<b>6,366</b>

2022	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year	339,290	160,264	175,084	3,942
Surplus/(deficit) for the year	(5,565)	(5,565)	-	-
Net asset revaluation increment/(decrement) 6.1	20,114	-	20,114	-
Transfers to other reserves 9.1 (a)	0	6,514	-	(6,514)
Transfers from other reserves 9.1 (b)	-	(6,058)	-	6,058
<b>Balance at end of the financial year</b>	<b>353,840</b>	<b>155,156</b>	<b>195,198</b>	<b>3,486</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows For the Year Ended 30 June 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		23,842	23,205
Statutory fees and fines		995	962
User fees		1,311	828
Grants - operating		15,592	13,941
Grants - capital		3,951	6,247
Contributions - monetary		1,100	518
Interest received		423	130
Rent received		1,384	960
Trust funds and deposits taken		355	(90)
Other receipts		354	244
Net GST refund		3,224	2,141
Employee costs		(18,696)	(17,508)
Materials and services		(26,484)	(22,070)
Other payments		(1,299)	(440)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<b>6,052</b>	<b>9,068</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(14,590)	(10,232)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	4,001	157
Payments from investments		13,000	1,000
<b>Net cash used in investing activities</b>		<b>2,411</b>	<b>(9,075)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(146)	(188)
Repayment of borrowings		(2,123)	(2,065)
Proceeds of borrowings		1,500	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(769)</b>	<b>(2,253)</b>
Net increase/(decrease) in cash and cash equivalents		7,694	(2,260)
Cash and cash equivalents at the beginning of the financial year		6,579	8,839
<b>Cash and cash equivalents at the end of the financial year</b>	5.1	<b>14,273</b>	<b>6,579</b>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Statement of Capital Works For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Property</b>			
Land improvements		-	168
Buildings		4,466	1,602
<b>Total property</b>		<b>4,466</b>	<b>1,770</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,243	932
Computers and telecommunications		242	655
Library Resources		28	90
<b>Total plant and equipment</b>		<b>1,513</b>	<b>1,677</b>
<b>Infrastructure</b>			
Roads		2,663	2,700
Bridges		526	597
Footpaths and cycleways		299	861
Drainage		278	372
Recreational, leisure and community facilities		4,341	1,862
Parks, open space and streetscapes		452	278
Other infrastructure		52	115
<b>Total infrastructure</b>		<b>8,611</b>	<b>6,785</b>
<b>Total capital works expenditure</b>		<b>14,590</b>	<b>10,232</b>
<b>Represented by:</b>			
New asset expenditure		6,142	1,473
Asset renewal expenditure		5,553	6,583
Asset upgrade expenditure		2,895	2,176
<b>Total capital works expenditure</b>		<b>14,590</b>	<b>10,232</b>

The above statement of capital works should be read in conjunction with the accompanying notes.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 1 OVERVIEW

#### Introduction

The Hepburn Shire Council was established by an Order of the Governor in Council on 19 January 1995 and is a body corporate. The Council's main office is located at 76 Vincent Street, Daylesford 3460

#### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to not-for-profit entity under the Australian Accounting Standards.

#### Significant accounting policies

##### (a) Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 1 OVERVIEW (continued)

#### Significant accounting policies (continued)

##### (a) Basis of accounting (continued)

- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

##### Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

##### (b) Storm Events

Council has been impacted by three significant storm events during the last two financial years. The first event occurred in the Trentham area in June 2021, the second event was in the Creswick area in January 2022 and the third event in October 2022 was state wide.

The result of these storms was significant damage to property and infrastructure across the areas. A storm recovery team was set up by council to co-ordinate a response to the disasters and provide support and information to the affected communities.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 1 OVERVIEW (continued)**

**Significant accounting policies (continued)**

**(b) Storm Events (continued)**

The costs to respond to the October 2022 storm event is unbudgeted and is being partially reimbursed through government disaster recovery funding and insurance claim assessments and approval. Total costs for the three events is \$13.7m, reimbursement for the January 2022 storm event is still outstanding as well as a percentage of the other storm events.

**Total Financial Impact of Storm Events on Council**

	Storm Event Trentham June 2021	Storm Event Creswick January 2022	Storm Event October 2022	Total Costs
	\$'000	\$'000	\$'000	\$'000
Claims Received	4,323	7	4,879	9,209
Costs				
Employee Benefits	624	461	254	1,339
Contractors	5,035	1,786	5,237	12,058
Other	182	114	15	311
Total expenditure	5,841	2,361	5,506	13,708
Cost to Council	(1,518)	(2,354)	(627)	(4,499)

**Impact of Storm Events on 2022/2023 financial results**

	Storm Event Trentham June 2021	Storm Event Creswick January 2022	Storm Event October 2022	Total Costs
	\$'000	\$'000	\$'000	\$'000
Claims Received	160	7	4,879	5,046
Costs				
Employee Benefits	126	203	254	583
Contractors	324	203	5,237	5,764
Other	5	26	15	46
Total expenditure	455	432	5,506	6,393
Cost to Council	(295)	(425)	(627)	(1,347)

**(c) Carried Forward Works**

The carried forward works value disclosed in Note 5.1(b) is stated at 30 June 2023 budget value. This amount may fluctuate due to cost inflation in the construction industry and the changing economic climate.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 2 Analysis of our results

#### 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of 10 percent and \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 28 June 2022. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

#### 2.1.1 Income / Revenue and expenditure

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
<b>Income / Revenue</b>					
Rates and charges	24,804	24,866	62	0.2%	
Statutory fees and fines	1,134	1,013	(121)	-10.7%	1
User fees	833	1,154	321	38.5%	2
Grants - operating	8,277	14,243	5,966	72.1%	3
Grants - capital	12,661	9,603	(3,058)	-24.2%	4
Contributions - monetary	510	1,100	590	115.7%	5
Other income	1,368	2,057	689	50.4%	6
<b>Total income / revenue</b>	<b>49,587</b>	<b>54,036</b>	<b>4,449</b>	<b>9.0%</b>	
<b>Expenses</b>					
Employee costs	16,429	18,673	(2,244)	-13.7%	7
Materials and services	19,488	23,188	(3,700)	-19.0%	8
Depreciation	6,723	8,750	(2,027)	-30.2%	9
Amortisation - Intangible assets	133	-	133	100.0%	10
Bad and doubtful debts - allowance for impairment losses	11	3	14	127.3%	
Borrowing costs	198	146	52	26.3%	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	2,973	(2,973)	100.0%	11
Other expenses	868	2,903	(2,035)	-234.3%	12
<b>Total expenses</b>	<b>43,851</b>	<b>56,630</b>	<b>(12,779)</b>	<b>-29.1%</b>	
<b>Surplus (deficit) for the year</b>	<b>5,736</b>	<b>(2,594)</b>	<b>(8,330)</b>	<b>-145.2%</b>	

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 2.1 Performance against budget (continued)**

**2.1.1 Income / Revenue and expenditure (continued)  
(i) Explanation of material variations**

Ref	Item / Explanation
1	<b>Statutory Fees and Fines</b> - The decrease in statutory fees and fines is attributable to planning enforcement fines being unfavourable to budget \$35k as there was less enforcement activity due to changes in staff. Town Planning Fees unfavourable \$60.5k as a result of reduced number of applications impacted by interest rates and a downturn in the building industry. Income waivers \$27.5k were unbudgeted as the expectation was that outdoor dining fees would be reactivated and fire prevention fines unfavourable \$10k. This is partially offset by storm water fees being favourable to budget \$18k.
2	<b>User fees</b> - The increase in user fees is attributable to the retention of aged care fees not requiring to be refunded to the government department \$395k which is partially offset by unfavourable gate fees charged at the transfer stations \$23.3k and lower building fee income being generated \$30.1k.
3	<b>Grants Operating</b> - The increase in operating grants is a result of 100% of the 2023/2024 financial assistance grants allocation (\$6.1m) being received in 2022/2023 per Federal Government decision, partially offset by storm recovery grants of \$0.3m being unfavourable to budget.
4	<b>Grants - capital</b> - The decrease in Capital Grants received is due to a number of factors. Delay in delivery of capital projects including Trentham Community Hub \$1.3m and Wombat Hill Botanic Gardens \$0.07m. Unsuccessful grant application for Daylesford to Hanging Rock Rail Trail \$0.5m. Delay in receipt of LRCI funding \$0.6m.
5	<b>Contributions Monetary</b> - This is favourable to budget due to contributions being received for Creswick Trails \$0.35m and Hammon Park Trail Head \$0.24m
6	<b>Other Income</b> - This is favourable to budget due to improved interest rates on investments \$0.3m and additional rent revenue being received on commercial properties \$0.2m.
7	<b>Employee Costs</b> - Employee costs are unfavourable to budget predominately due to temporary staff \$1.67m over budget which is attributable to covering vacant positions and temporary staff responding to storm events (\$311k). An underpayment of allowances resulted in backpay of \$0.14m and the inclusion of unbudgeted termination payments of \$0.28m.
8	<b>Materials and Services</b> - Materials and services are unfavourable to budget by \$3.7m due to a number of factors. Completion of a project that is not a council asset (Trentham Sportsground pavilion which is a state government asset) being expensed \$1.7m. Rising costs impacting fuel \$0.2m and Utilities \$0.1m. Additional investment in ICT \$0.3m and increased legal costs due to FOI requests and VCAT appeals \$0.3m. Consultants engaged for specific projects \$0.6m.
9	<b>Depreciation</b> - The budget depreciation had not taken into the increase due the large capital program and impact of revaluations, note depreciation is a non-cash item .
10	<b>Amortisation of Intangibles</b> - All intangible items were written off in the prior financial year.
11	<b>Net Gain / (loss) on disposal of asset</b> - The increase compared to budget relates to the sale of the Rex Building.
12	<b>Other Expenses</b> - The increase compared to budget relates to the write off of previous years work in progress (WIP) allocated to capital projects that will not result in recognition of assets \$1.7m, and vegetation offset removal charges \$0.4m.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 2 Analysis of our results (continued)

2.1 Performance against budget (continued)

2.1.2 Capital works

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
<b>Property</b>					
Land improvements	-	-	-	100%	
Buildings and Building Improvements	5,819	4,466	(1,353)	-23.3%	1
<b>Total property</b>	<b>5,819</b>	<b>4,466</b>	<b>(1,353)</b>	<b>-23.3%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	600	1,243	643	107.2%	2
Computers and telecommunications	767	242	(525)	-68.4%	3
Library books	60	28	(32)	-52.7%	
<b>Total plant and equipment</b>	<b>1,427</b>	<b>1,513</b>	<b>87</b>	<b>6.1%</b>	
<b>Infrastructure</b>					
Roads	3,881	2,663	(1,218)	-31.4%	4
Bridges	640	526	(114)	-17.8%	5
Footpaths and cycleways	1,456	299	(1,157)	-79.5%	6
Drainage	414	278	(137)	-33.0%	7
Recreational, leisure & community facilities	4,702	4,341	(361)	-7.7%	
Parks, open space and streetscapes	393	452	59	15.0%	
Other infrastructure	33	53	20	59.6%	
<b>Total infrastructure</b>	<b>11,518</b>	<b>8,611</b>	<b>(2,907)</b>	<b>-25.2%</b>	
<b>Total capital works expenditure</b>	<b>18,764</b>	<b>14,590</b>	<b>(4,173)</b>	<b>-22.2%</b>	
<b>Represented by:</b>					
New asset expenditure	7,782	6,142	(1,640)	-21.1%	
Asset renewal expenditure	8,329	5,553	(2,775)	-33.3%	
Asset upgrade expenditure	2,654	2,895	241	9.1%	
<b>Total capital works expenditure</b>	<b>18,764</b>	<b>14,590</b>	<b>(4,173)</b>	<b>-22.2%</b>	

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 2 Analysis of our results (continued)**

**2.1 Performance against budget (continued)**

**2.1.2 Capital works**

**(i) Explanation of material variations**

<b>Ref</b>	<b>Item / Explanation</b>
<b>1</b>	<b>Buildings and Building Improvements</b> - A number of projects that had been delayed in the previous year were completed, this included the Creswick Town Hall \$1.07m and building renewal works \$0.720m. Trentham Sports ground Pavilion was completed but is a state government asset so was not capitalised. It was budgeted as capital works.
<b>2</b>	<b>Plant machinery and equipment</b> - Delays with delivery of fleet items in previous years has impacted the current year spend. The funding had been carried forward into 2022/2023.
<b>3</b>	<b>Computers and telecommunications</b> - Focus during the year was on Hardware and Technology renewal however there was underspend on server equipment replacement and other technology development, which will be completed in 2023/2024.
<b>4</b>	<b>Roads</b> - renewal programs were completed however the Dean - Newlyn Road project did not commence due to tender prices received being well in excess of the budget. This funding was redirected towards patching programs across the shire.
<b>5</b>	<b>Bridges</b> - a major bridge renewal was completed however a second bridge has only had design work completed in the current year.
<b>6</b>	<b>Footpaths and cycleways</b> - funding for Daylesford to Hanging Rock Rail Trail was not successful so project has not commenced \$0.9m.
<b>7</b>	<b>Drainage</b> - Kerb and channel rehabilitation projects were delayed due to challenges with internal and external resourcing to have construction commenced.

## **Notes to the Financial Report For the Year Ended 30 June 2023**

### **Note 2 Analysis of our results (continued)**

#### **2.2 Analysis of Council results by program**

##### **2.2.1 Council delivers its functions and activities through the following programs.**

###### **CEO Office**

The Chief Executive Office (CEO) provides the strategic direction across council to enable the efficient, effective delivery of policy commitments, council vision and mission.

###### **Infrastructure and Delivery**

Infrastructure and Delivery Services is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, environment and waste, parks and gardens, emergency management and municipal resources, including the delivery of major projects. Health and community safety services and facilities maintenance are also included as part of this program.

###### **Community and Development**

Community Services provides high quality community focused programs, service delivery and communication to residents. Community Services is comprised of community care, connected communities, family services, health communities, leisure and recreational services and social planning and investment.

Community Services is underpinned by both customer commitments and customer service strategies. Community and economic development are responsible for business improvement and customer service. Community and economic development also advocate on behalf of the community for major events, arts, culture, economic development and cultural opportunities including the delivery of a reconciliation action plan with the traditional owners of the land of the Dja Dja Wurrung.

Development Services incorporates planning services and includes the assessment of shire development, planning strategy and urban growth.

###### **Organisational Services**

Organisational Services provides efficient, effective and proactive support services across council to enable the delivery of all council services. The provision of these services includes finance services, governance, risk, digital information and technology and culture and performance.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 2 Analysis of our results (continued)

2.2 Analysis of Council results by program (continued)

2.2.2 Summary of income / revenue, expenses, assets and capital expenses by program

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2023</b>					
CEO Office	-	1,786	(1,786)	-	
Infrastructure and Delivery Services	28,680	24,994	3,685	10,469	294,094
Community and Development Services	3,471	10,462	(6,991)	8,161	34,630
Organisational Services	21,886	19,388	2,498	5,216	61,154
	<b>54,036</b>	<b>56,630</b>	<b>(2,594)</b>	<b>23,846</b>	<b>389,878</b>
	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>					
CEO Office	-	1,049	(1,049)	-	-
Infrastructure and Delivery Services	18,258	26,098	(7,840)	11,792	271,908
Community and Development Services	3,504	7,798	(4,294)	2,520	35,068
Organisational Services	25,387	17,769	7,618	5,461	67,146
	<b>47,149</b>	<b>52,714</b>	<b>(5,565)</b>	<b>19,773</b>	<b>374,122</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

<b>Note 3 Funding for the delivery of our services</b>	<b>2023</b>	<b>2022</b>
<b>3.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</b>

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is an approximation of its market value.

The valuation base used to calculate general rates for 2022/2023 was \$9,045,824 million (2021/2022 \$6,654,477 million).

General rates	19,331	18,776
Garbage and Recycling Charges	2,643	2,356
Waste management charge	2,409	2,074
Special rates and charges	85	140
Supplementary rates and rate adjustments	78	140
Interest on rates and charges	311	258
Revenue in lieu of rates	9	1
<b>Total rates and charges</b>	<b>24,866</b>	<b>23,745</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2023, and the valuation will be first applied in the rating year commencing 1/07/2023.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

**3.2 Statutory fees and fines**

Infringements and costs	44	41
Permits	11	13
Local Law Permits	11	4
Environmental Health Permits	52	51
Registration fees	230	211
Town planning fees	596	605
Other fees and fines	69	38
<b>Total statutory fees and fines</b>	<b>1,013</b>	<b>963</b>

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

**3.3 User fees**

Aged and health services	8	76
Building Services	232	261
Aquatic Centre Fees	9	-
Waste management services	456	387
Other fees and charges	449	90
<b>Total user fees</b>	<b>1,154</b>	<b>814</b>
<b>User fees by timing of revenue recognition</b>		
User fees recognised at a point in time	1,154	814
<b>Total user fees</b>	<b>1,154</b>	<b>814</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 3 Funding for the delivery of our services (continued)

3.4 Funding from other levels of government	2023	2022
Grants were received in respect of the following :	\$'000	\$'000
<b>Summary of grants</b>		
Commonwealth funded grants	8,318	8,956
State funded grants	15,527	10,817
<b>Total grants received</b>	<b>23,845</b>	<b>19,773</b>
<b>(a) Operating Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants - VGC	5,039	5,047
Local Road funding - VGC	2,332	2,267
Aged care	6	669
Community health	1	3
<i>Recurrent - State Government</i>		
Aged care	16	88
Libraries	177	174
Maternal and child health	119	339
Emergency Management	120	-
School crossing supervisors	44	43
Youth	36	30
Other	52	56
<b>Total recurrent operating grants</b>	<b>7,942</b>	<b>8,716</b>
<i>Non-recurrent - State Government</i>		
Commerce and tourism	300	700
Emergency management	791	146
Transport	-	4
Waste and environment	37	182
Working for Victoria	-	204
Storm Events	5,045	4,681
Other	128	200
<b>Total non-recurrent operating grants</b>	<b>6,301</b>	<b>6,117</b>
<b>Total operating grants</b>	<b>14,243</b>	<b>14,833</b>
<b>(b) Capital Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	940	971
<b>Total recurrent capital grants</b>	<b>940</b>	<b>971</b>
<i>Non-recurrent - State Government</i>		
Buildings	6,030	787
Roads	977	1,511
Recreation, leisure and community facilities	1,609	1,416
Storm Events	-	125
Other	47	130
<b>Total non-recurrent capital grants</b>	<b>8,663</b>	<b>3,969</b>
<b>Total capital grants</b>	<b>9,603</b>	<b>4,940</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 3 Funding for the delivery of our services (continued)**

**3.4 Funding from other levels of government (continued)**

**(c) Recognition of grant income**

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 *Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 *Income for Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

<b>Income recognised under AASB 1058 <i>Income for Not-for-Profit Entities</i></b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
General purpose		
Specific purpose grants to acquire non-financial assets	9,602	4,940
Other specific purpose grants	8,550	9,530
<b>Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i></b>		
Specific purpose grants	5,693	5,303
	<b>23,845</b>	<b>19,773</b>
<b>(d) Unspent grants received on condition that they be spent in a specific manner</b>		
<b>Operating</b>		
Balance at start of year	2,378	1,570
Received during financial year and remained unspent at balance date	1,219	872
Received in prior years and spent during the financial year	(2,371)	(64)
Balance at year end	<b>1,225</b>	<b>2,378</b>
<b>Capital</b>		
Balance at start of year	5,660	4,816
Received during financial year and remained unspent at balance date	735	2,401
Received in prior years and spent during the financial year	(5,470)	(1,557)
Balance at year end	<b>925</b>	<b>5,660</b>

Unspent grants are determined and disclosed on a cash basis.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 3 Funding for the delivery of our services (continued)**

	2023	2022
	\$'000	\$'000
<b>3.5 Contributions</b>		
Monetary	1,100	518
Non-monetary	-	38
<b>Total contributions</b>	<b>1,100</b>	<b>556</b>

*Contributions of non-monetary assets were received in relation to the following asset classes.*

Other Infrastructure	-	38
<b>Total non-monetary contributions</b>	<b>-</b>	<b>38</b>

Monetary and non monetary contributions are recognised as revenue at their fair value when Council obtains control over the contributed asset.

**3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment**

Proceeds of sale	4,001	157
Written down value of assets disposed	(6,693)	(26)
Written down value of infrastructure assets renewed	(281)	(1,477)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(2,973)</b>	<b>(1,346)</b>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

**3.7 Other income**

Interest	423	130
Reimbursements	235	112
Facilities rental income	1,280	924
Sale of materials	114	127
Other	5	5
<b>Total other income</b>	<b>2,057</b>	<b>1,298</b>

Interest is recognised as it is earned. Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 4 The cost of delivering services

	2023 \$'000	2022 \$'000
<b>4.1 (a) Employee costs</b>		
Wages and salaries	14,481	13,576
WorkCover	321	612
Superannuation	1,478	1,334
Fringe benefits tax	94	79
Agency staff	2,299	2,141
<b>Total employee costs</b>	<b>18,673</b>	<b>17,742</b>

\$583k costs associated due to storm events in 2023 (\$756k in 2022).

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	50	48
	<u>50</u>	<u>48</u>

Employer contributions payable at reporting date.

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	568	531
Employer contributions - other funds	864	755
	<u>1,432</u>	<u>1,286</u>

Employer contributions payable at reporting date.

Refer to Note 9.3 for further information relating to Council's superannuation obligations.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 4 The cost of delivering services (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4.2 Materials and services</b>		
Building maintenance	53	56
Consultants	2,469	1,794
Contract payments		
Waste Service	3,062	3,067
Infrastructure Maintenance	7,953	1,777
General Contracts	2,531	7,450
Information technology	1,151	1,076
Insurance	576	537
Materials and services	4,081	3,860
Office administration	614	492
Utilities	699	614
<b>Total materials and services</b>	<b>23,188</b>	<b>20,723</b>

Expenses are recognised as they are incurred and reported in the financial year to which they relate. \$5.8M was incurred in 2023 in relation to storm recovery (\$6.3M in 2022).

**4.3 Depreciation**

Property	2,335	2,327
Plant and equipment	1,169	1,031
Infrastructure	5,245	5,111
<b>Total depreciation</b>	<b>8,750</b>	<b>8,469</b>

Refer to Note 5.2(c) and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

**4.4 Bad and doubtful debts - allowance for impairment losses**

Rental Debtors	-	1
Other debtors	(3)	32
<b>Total bad and doubtful debts - allowance for impairment losses</b>	<b>(3)</b>	<b>33</b>

**Movement in allowance for impairment losses in respect of debtors**

Balance at the beginning of the year	(110)	(79)
New provisions recognised during the year	(5)	(31)
Amounts already provided for and written off as uncollectible	87	-
Amounts provided for but recovered during the year	12	-
<b>Balance at end of year</b>	<b>(16)</b>	<b>(110)</b>

An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 4 The cost of delivering services (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4.5 Borrowing costs</b>		
Interest - Borrowings	146	188
<b>Total borrowing costs</b>	<b>146</b>	<b>188</b>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

**4.6 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	51	44
Auditors' remuneration - Internal Audit	38	30
Councillors' allowances	254	220
Community grants	300	274
Operating pension rebate	36	37
Tourism board membership	80	20
Work in Progress Write Off #	1,693	3,562
Others	451	26
<b>Total other expenses</b>	<b>2,903</b>	<b>4,213</b>

# This write off figures includes the works completed on the Trentham Sportsground Pavilion as it is not a Council Asset. The prior year write off was The Rex building.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>5.1 Financial assets</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	3	5
Cash at bank	8,228	6,531
Term deposits	6,043	43
<b>Total cash and cash equivalents</b>	<b>14,274</b>	<b>6,579</b>
<b>(b) Other financial assets</b>		
Term deposits - current	4,202	17,202
<b>Total other financial assets</b>	<b>4,202</b>	<b>17,202</b>
<b>Total financial assets</b>	<b>18,476</b>	<b>23,781</b>
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust Funds and Deposits (note 5.3)	1,496	1,169
- Statutory reserves (note 9.1(b))	1,842	2,008
<b>Total restricted funds</b>	<b>3,339</b>	<b>3,177</b>
<b>Total unrestricted cash, cash equivalents and financial assets</b>	<b>15,137</b>	<b>20,604</b>
<b>Intended Allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council.		
- Cash held to fund carried forward works	5,040	8,531
- Unexpended grants received (Note 3.4(c))	2,151	8,038
- Discretionary reserves (Note 9.1(b))	4,525	1,479
- Financial Assistance Grants for 2023/2024 received in current year*	6,062	4,430
- Storm Claim Income anticipated to be received in 2023/2024 (Note 8.1(a))	(4,049)	(2,835)
<b>Total unrestricted and allocated financial assets</b>	<b>1,409</b>	<b>961</b>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

\* Funds received from the Commonwealth Government prior to 30 June 2023 for operational expenditure in 2023/24.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 5 Our financial position (continued)

	2023	2022
	\$'000	\$'000
<b>5.1 (c) Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	4,702	3,678
Special rate assessment	346	374
Infringement debtors	189	171
Net GST receivable	522	741
<i>Non statutory receivables</i>		
Loans and advances to community organisations		
Other debtors - rental	68	190
Other debtors - government grants	741	1,347
Other debtors - miscellaneous	339	469
Provision for doubtful debts - other debtors	(16)	(110)
<b>Total current trade and other receivables</b>	<b>6,892</b>	<b>6,860</b>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

**(d) Ageing of Receivables**

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	993	1,812
Past due by up to 30 days	26	1
Past due between 31 and 180 days	22	70
Past due between 181 and 365 days	96	11
Past due by more than 1 year	11	3
<b>Total trade and other receivables</b>	<b>1,148</b>	<b>1,897</b>

**(e) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$16,000 (2022: \$110k) were impaired. The amount of the provision raised against these debtors was \$16,000 (2022: \$110k). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of receivables that have been individually determined as impaired at

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	16	110
<b>Total trade &amp; other receivables</b>	<b>16</b>	<b>110</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>5.2 Non-financial assets</b>		
<b>(a) Inventories</b>		
Inventories held for distribution	13	17
<b>Total inventories</b>	<u>13</u>	<u>17</u>
Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.		
<b>(b) Other assets</b>		
Prepayments	55	117
<b>Total other assets</b>	<u>55</u>	<u>117</u>
<b>(c) Intangible assets</b>		
Software	-	-
<b>Total intangible assets</b>	<u>-</u>	<u>-</u>
<b>Gross carrying amount</b>		
Balance at 1 July	-	1,282
Additions	-	-
WIP	-	-
Write-Off	-	(1,282)
Balance at 30 June	<u>-</u>	<u>-</u>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July	-	874
Amortisation expense	-	-
Write-Off	-	(874)
Balance at 30 June	<u>-</u>	<u>-</u>
<b>Net book value at 30 June</b>	<u>-</u>	<u>-</u>

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position (continued)**

**5.3 Payables, trust funds and deposits and unearned income / revenue**

<b>(a) Trade and other payables</b>	<b>2023</b>	<b>2022</b>
<b>Current</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-statutory payables</i>		
Trade payables	2,035	2,336
Accrued expenses	1,452	763
Income in advance	388	153
<b>Total current trade and other payables</b>	<b><u>3,876</u></b>	<b><u>3,252</u></b>
<b>(b) Trust funds and deposits</b>		
<b>Current</b>		
Refundable deposits	241	148
Fire services levy	438	374
Retention amounts	243	70
Other trust funds and deposits	574	577
<b>Total current trust funds and deposits</b>	<b><u>1,496</u></b>	<b><u>1,169</u></b>
<b>(c) Unearned income/revenue</b>		
<b>Current</b>		
Grants received in advance - operating	1,346	2,378
Grants received in advance - capital	806	5,660
<b>Total current unearned income/revenue</b>	<b><u>2,151</u></b>	<b><u>8,038</u></b>

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of capital and other grants. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

***Purpose and nature of items***

**Refundable deposits** - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

**Fire Service Levy** - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

**Retention Amounts** - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position (continued)**

<b>5.4 Interest-bearing liabilities</b>	<b>2023</b>	<b>2022</b>
<b>Current</b>	<b>\$'000</b>	<b>\$'000</b>
Borrowings - secured	408	629
<b>Non-current</b>		
Borrowings - secured	3,494	3,897
<b>Total</b>	<b><u>3,903</u></b>	<b><u>4,526</u></b>

Borrowings are secured by a deed of charge over council rates

(a) The maturity profile for Council's

borrowings is:

Not later than one year	408	629
Later than one year and not later than five years	1,758	2,605
Later than five years	1,737	1,292
<b>Total Interest-bearing liabilities</b>	<b><u>3,903</u></b>	<b><u>4,526</u></b>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

**5.5 Provisions**

	<b>Employee</b>	<b>Landfill</b>	<b>Total</b>
<b>2023</b>	<b>\$ '000</b>	<b>restoration \$ '000</b>	<b>\$ '000</b>
Balance at beginning of the financial year	2,909	328	3,237
Additional provisions	1,220	-	1,220
Amounts used	(1,211)	(35)	(1,246)
Balance at the end of the financial year	<b><u>2,918</u></b>	<b><u>293</u></b>	<b><u>3,211</u></b>
<i>Provisions - current</i>	2,721	26	2,747
<i>Provisions - non-current</i>	197	267	464
<b>2022</b>			
Balance at beginning of the financial year	2,614	323	2,937
Additional provisions	1,511	27	1,538
Amounts used	(1,216)	(22)	(1,238)
Balance at the end of the financial year	<b><u>2,909</u></b>	<b><u>328</u></b>	<b><u>3,237</u></b>
<i>Provisions - current</i>	2,696	27	2,723
<i>Provisions - non-current</i>	213	301	514

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position (continued)**

**5.5 Provisions (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	927	925
Long service leave	343	335
Other	51	51
	<u>1,321</u>	<u>1,311</u>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	84	85
Long service leave	1,316	1,300
	<u>1,400</u>	<u>1,385</u>
Total current employee provisions	<u>2,721</u>	<u>2,696</u>
<b>Non-current</b>		
Long service leave	197	213
Annual leave	-	-
Total non-current employee provisions	<u>197</u>	<u>213</u>
Aggregate carrying amount of employee provisions:		
Current	2,721	2,696
Non-current	197	213
Total aggregate carrying amount of employee provisions	<u>2,918</u>	<u>2,909</u>

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

*Annual leave*

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position (continued)**

**5.5 Provisions (continued)**

*Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability and measured at present value.

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Key assumptions:		
- discount rate	4.06%	3.69%
- index rate	2.50%	2.50%
- settlement rate	7 years	7 years

**(b) Landfill restoration**

Current	26	27
Non-current	267	301
	<b>293</b>	<b>328</b>

Council is obligated to restore landfill sites to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council reviews the landfill restoration provision on an annual basis, including the key assumptions listed below:

Key assumptions:		
- Aftercare period	30 years	30 years
- discount rate	4.06%	3.69%
- index rate	2.50%	2.50%

**5.6 Financing arrangements**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
The Council has the following funding arrangements in place as at 30 June		
Credit card facilities	150	150
Other facilities	3,903	4,526
Total facilities	<b>4,053</b>	<b>4,676</b>
Used facilities	4,008	4,585
Unused facilities	45	91

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 5 Our financial position (continued)

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

(a) Commitments for expenditure

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2023</b>					
<b>Operating</b>					
Maternal and child health	122	-	-	-	122
Library services	143	144	-	-	287
Kerbside Collection	2,953	3,071	3,194	-	9,218
Other	331	127	57	-	515
<b>Total</b>	<b>3,549</b>	<b>3,342</b>	<b>3,251</b>	<b>-</b>	<b>10,142</b>
<b>Capital</b>					
Buildings	3,290	-	-	-	3,290
Infrastructure	1,634	-	-	-	1,634
<b>Total</b>	<b>4,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,924</b>
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>					
<b>Operating</b>					
Transfer station	660	-	-	-	660
Maternal and child health	365	122	-	-	487
Library services	144	143	144	-	431
Kerbside Collection	2,840	2,953	3,071	3,194	12,058
Other	62	-	-	-	62
<b>Total</b>	<b>4,071</b>	<b>3,218</b>	<b>3,215</b>	<b>3,194</b>	<b>13,699</b>
<b>Capital</b>					
Buildings	6,840	-	-	-	6,840
Infrastructure	4,778	-	-	-	4,778
<b>Total</b>	<b>11,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,618</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 5 Our financial position (continued)**

<b>5.7 Commitments (continued)</b>	<b>2023</b>	<b>2022</b>
<i>Operating lease commitments</i>	<i>\$'000</i>	<i>\$'000</i>
Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment and land and buildings that have a lease term of 12 months or less and leases of low-value assets. Council recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.		
Not later than one year	4	14
Later than one year and not later than five years	15	16
Later than five years	-	3
	19	33

The above lease falls into the category of short term and low value. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(b) Operating lease receivables**

*Operating lease receivables*

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 25 years. All leases include a CPI based revision of the rental charge annually.

Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows.

Not later than one year	997	1,044
Later than one year and not later than five years	4,253	4,684
Later than five years	2,975	3,762
	8,225	9,490

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 6 Assets We Manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 2022	Additions	Found assets	Revaluation	Depreciation	Disposal	Write-off	Asset class transfers	Carrying amount 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	138,601	-	-	3,940	(2,335)	(6,700)	-	2,181	135,687
Plant and equipment	3,830	-	-	-	(1,169)	(23)	-	1,338	3,976
Infrastructure	195,311	-	-	20,010	(5,245)	(281)	-	7,228	217,024
Work in progress	5,605	14,590	-	-	-	-	(1,693)	(10,748)	7,755
	<b>343,348</b>	<b>14,590</b>	-	<b>23,951</b>	<b>(8,749)</b>	<b>(7,004)</b>	<b>(1,693)</b>	-	<b>364,442</b>

Summary of Work in Progress (WIP)

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	1,778	4,566	(426)	(2,317)	3,602
Plant and equipment	1,002	1,492	(54)	(1,339)	1,101
Infrastructure	2,825	8,532	(1,213)	(7,092)	3,052
<b>Total</b>	<b>5,605</b>	<b>14,590</b>	<b>(1,693)</b>	<b>(10,748)</b>	<b>7,755</b>

Notes to the Financial Report  
For the Year Ended 30 June 2023

6.1 Property, infrastructure, plant and equipment (continued)

(a) Property

Land - specialised	Land - specialised	Land - non specialised	Land improvements	Total land & land improvements	Buildings - specialised	Buildings - non specialised	Total buildings	Work in progress	Total property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 2022	35,543	25,649	13,982	75,174	131,916	13,629	145,545	1,778	222,498
Accumulated depreciation at 30 June 2022	-	-	(5,826)	(5,826)	(71,977)	(4,315)	(76,292)	-	(82,118)
Adjusted Opening Balance	35,543	25,649	8,156	69,348	59,939	9,314	69,253	1,778	140,379
<b>Movements in fair value</b>									
Additions	-	-	-	-	-	-	-	4,566	4,566
Revaluation	(1,755)	(1,126)	-	(2,881)	9,785	680	10,466	-	7,584
Disposal	-	(3,000)	-	(3,000)	-	(3,700)	(3,700)	-	(6,700)
Transfers from Work in Progress	-	-	-	-	-	2,181	2,181	(2,317)	(136)
Write-Off	-	-	-	-	-	-	-	(426)	(426)
	(1,755)	(4,126)	-	(5,881)	9,785	(839)	8,947	1,824	4,889
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	(274)	(274)	(1,902)	(159)	(2,061)	-	(2,335)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(3,358)	(286)	(3,644)	-	(3,644)
	-	-	(274)	(274)	(5,261)	(444)	(5,705)	-	(5,979)
Carrying amount 2023	33,788	21,523	13,982	69,293	141,701	12,791	154,492	3,602	227,387
Accumulated depreciation at 30 June 2023	-	-	(6,100)	(6,100)	(77,238)	(4,760)	(81,997)	-	(88,098)
	33,788	21,523	7,882	63,193	64,463	8,031	72,493	3,602	139,289

Notes to the Financial Report  
For the Year Ended 30 June 2023

6.1 Property, infrastructure, plant and equipment (continued)

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Library collection \$'000	Work In progress \$'000	Total plant and equipment \$'000
Carrying amount 2022	7,488	994	1,906	927	1,002	12,317
Accumulated depreciation at 30 June 2022	(4,961)	(821)	(1,023)	(680)	-	(7,485)
	2,527	173	883	247	1,002	4,832
<b>Movements in fair value</b>						
Additions	-	-	-	-	1,492	1,492
Found Assets	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal	(558)	-	-	-	-	(558)
Transfers from Work in Progress	1,139	-	148	52	(1,339)	(0)
Write-Off	-	-	-	-	(54)	(54)
	582	-	148	52	99	880
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation	(700)	(23)	(415)	(31)	-	(1,169)
Accumulated depreciation of disposals	535	-	-	-	-	535
	(165)	(23)	(415)	(31)	-	(634)
Carrying amount 2023	8,070	994	2,054	979	1,101	13,198
Accumulated depreciation at 30 June 2023	(5,126)	(844)	(1,439)	(711)	-	(8,120)
	2,943	150	615	268	1,101	5,078

Notes to the Financial Report  
For the Year Ended 30 June 2023

6.1 Property, infrastructure, plant and equipment (continued)  
(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Recreational, leisure and community \$'000	Parks open spaces and streetscapes \$'000	Off street car parks \$'000	Other infrastructure \$'000	Work In progress \$'000	Total infrastructure \$'000
Carrying amount 2022	237,002	29,972	8,984	18,826	1,902	2,983	259	7,373	2,825	310,126
Accumulated depreciation at 30 June 2022	(81,233)	(14,934)	(3,414)	(9,074)	(819)	(123)	(25)	(2,368)	-	(111,990)
Adjusted Opening Balance	155,769	15,038	5,570	9,752	1,083	2,860	234	5,005	2,825	198,136
<b>Movements in fair value</b>										
Additions	-	-	-	-	-	-	-	-	8,532	8,532
Found Assets	-	-	-	-	-	-	-	-	-	-
Revaluation	31,122	-	932	-	-	-	-	-	-	32,054
Disposal	(587)	(143)	-	-	-	-	-	-	-	(730)
Write-off	-	-	-	-	-	-	-	-	(1,213)	(1,213)
Transfers from Work in Progress	2,551	598	1,037	837	632	1,042	162	368	(7,092)	135
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	33,086	455	1,969	837	632	1,042	162	368	227	38,778
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	(4,316)	(235)	(122)	(259)	(90)	(60)	(14)	(150)	-	(5,245)
Accumulated depreciation of disposals	345	104	-	-	-	-	-	-	-	449
Write-off	-	-	-	-	-	-	-	-	-	-
Revaluation	(11,569)	-	(474)	-	-	-	-	-	-	(12,044)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	(15,540)	(131)	(596)	(259)	(90)	(60)	(14)	(150)	-	(16,840)
Carrying amount 2023	270,088	30,427	10,953	19,663	2,534	4,026	421	7,741	3,052	348,905
Accumulated depreciation at 30 June 2023	(96,773)	(15,065)	(4,010)	(9,333)	(909)	(183)	(39)	(2,518)	-	(128,830)
	173,315	15,362	6,943	10,330	1,625	3,843	382	5,224	3,052	220,075

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 6 Assets We Manage (continued)

#### 6.1 Property, infrastructure, plant and equipment (continued)

##### *Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Depreciation Period	Threshold Limit \$
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	1,000
land improvements	20 -100	1,000
Buildings		
buildings	25 - 150	1,000
building and leasehold improvements	25 - 150	1,000
Plant and Equipment		
plant, machinery and equipment	3 - 10 years	1,000
others	3 - 10 years	1,000
Infrastructure		
roads - pavements, substructure, formation and earthworks	10 - 80	1,000
roads - kerb, channel and minor culverts and other	10 - 65	1,000
bridges - deck and substructure	50 - 200	1,000
footpaths and cycleways	75 years	1,000
others	5 - 80 years	1,000
Intangible assets	3 -10 years	1,000

##### *Land under roads*

Council recognises land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in this financial report.

##### *Depreciation and amortisation*

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 6 Assets We Manage (continued)

#### 6.1 Property, infrastructure, plant and equipment (continued)

### Note 6 Assets We Manage (continued)

#### *Repairs and maintenance*

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

#### *Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer Michael Lynch, AAPI, of WBP Rating Valuation Services. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or un-serviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date and type of the current valuation is detailed in the following table. An indexed based revaluation was conducted in the current year, this valuation was based on fair value, a full revaluation of these assets will be conducted in 2023/24.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level2	Level 3	Date of Valuation	Type of Valuation
	\$'000	\$'000	\$'000		
Land	-	21,523	-	Jun-23	index
Specialised land	-	-	33,788	Jun-23	index
Land improvements	-	-	7,882	Jun-22	full
Buildings	-	8,031	64,463	Jun-23	index
<b>Total</b>	-	<b>29,554</b>	<b>106,133</b>		

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 6 Assets We Manage (continued)

#### 6.1 Property, infrastructure, plant and equipment (continued)

### Note 6 Assets We Manage (continued)

#### **Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with an in-house valuation as at 30 June 2023 undertaken by in-house council officers of Hepburn Shire Council.

The date and type of the current valuation is detailed in the following table. An index based revaluation was conducted on roads and footpaths in the current year. This valuation was based on the changes in indexation indicators from the Producer Price Indexes, Australia, a full revaluation of these assets will be conducted in 2023/24.

The valuation is at fair value based on current replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2023 are as follows:

Where no valuation date is provided, Council has deemed that the valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
	\$'000	\$'000	\$'000		
Roads	-	-	173,315	Jun-23	index
Bridges	-	-	15,362	Jan-18	full
Footpaths and cycleways	-	-	6,943	Jun-23	index
Drainage	-	-	4,243	Jun-20	full
Kerb and channel	-	-	6,087	Jun-21	full
Recreational, leisure and community facilities	-	-	1,625	-	-
Parks, open space and streetscapes	-	-	3,843	-	-
Off Street Car Parks	-	-	382	-	-
Other infrastructure	-	-	5,224	-	-
<b>Total</b>	-	-	<b>217,023</b>		

#### **Description of significant unobservable inputs into level 3 valuations**

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$1,600 per square metre.

**Specialised buildings** are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$161 to \$57,728 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 5 years to 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 6 Assets We Manage (continued)**

**6.1 Property, infrastructure, plant and equipment (continued)**

**Note 6 Assets We Manage (continued)**

**Infrastructure assets** are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 200 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Reconciliation of specialised land		
Land under roads	118	106
Parks and reserves	33,670	35,437
<b>Total specialised land</b>	<b>33,788</b>	<b>35,543</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 7 People and relationships**

**7.1 Council and key management remuneration**

**(a) Related Parties**

*Parent entity*

Hepburn Shire Council is the parent entity.

**(b) Key Management Personnel**

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Hepburn Shire Council. The Councillors, Chief Executive Officer and Directors are deemed KMP

**Councillors**

Councillor Lesley Hewitt

Councillor Don Henderson

Councillor Jennifer Bray

Councillor Timothy Drylie (Mayor to 14/11/2022)

Councillor Brian Hood (Mayor from 15/11/2022)

Councillor Tessa Halliday

Councillor Juliet Simpson

**Officers**

Chief Executive Officer - Bradley Thomas

Director Infrastructure and Delivery - Bruce Lucas

Director Organisational Services - Andrew Burgess (to 19/03/2023)

Director Community and Development - Leigh McCallum (to 22/07/2023)

Director Community and Development - Natalie Walker (29/08/2022 to 31/03/2023)

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
<b>Total Number of Councillors</b>	7	7
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	5	4
<b>Total Number of Key Management Personnel</b>	12	11

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 7 People and relationships (continued)

#### 7.1 Council and key management remuneration (continued)

##### (c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Other long-term employee benefits** include long service leave, other long service benefits or deferred compensation.

**Post-employment benefits** include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Termination benefits** include termination of employment payments, such as severance packages.

	2023	2022
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	971,927	973,062
Other long-term employee benefits	10,597	22,850
Post-employment benefit	89,730	85,666
Termination benefits	-	-
<b>Total</b>	<b>1,072,254</b>	<b>1,081,578</b>

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	4	4
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	1	1
\$150,000 - \$159,999	1	1
\$170,000 - \$179,999	1	-
\$210,000 - \$219,999	1	2
\$280,000 - \$289,999	1	1
	<b>12</b>	<b>11</b>

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 7 People and relationships (continued)

#### 7.1 Council and key management remuneration (continued)

##### (d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$160,000 and who report directly to a member of the KMP. \*

	2023	2022
	\$	\$
Total remuneration of other senior staff was as follows:		
Short-term employee benefits	144,911	-
Other long-term employee benefits	3,001	-
Post-employment benefit	14,195	-
Termination benefits	115,385	-
Total	277,491	-

The number of other senior staff are shown below in their relevant income bands:

	2023	2022
Income Range:	No.	No.
\$270,000 - \$279,999	1	-
	1	-

Total remuneration for the reporting year for other senior staff included above, amounted to	277,491	-
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\* Due to a definitional change the comparative figures in this note may not align with the previous year's annual report, which included disclosure of senior officers as defined in the Local Government Act 1989.

#### 7.2 Related party disclosure

##### (a) Transactions with related parties

During the period Council had no reportable transactions with related parties. 2022:Nil

##### (b) Outstanding balances with related parties

There are no outstanding balances at the end of the reporting period in relation to transactions with related parties. 2022:Nil

##### (c) Loans to/from related parties

Council does not make loans to or receive loans from related parties, no guarantees have been provided. 2022:Nil

##### (d) Commitments to/from related parties

Council has no outstanding commitments to or from related parties. 2022:Nil

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 8 Managing uncertainties

#### 8.1 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

##### (a) Contingent assets

Council have not received all money for claims submitted for Storm recovery events. The below table outlines the amount receivable based on various claim rates.

##### Outstanding Claims from the June 2021, January 2022 and October 2022 Storm recovery

Maximum Amount to be refunded			\$4,499,537
Claim rates on outstanding claims	80%	90 %	100%
Claim Amounts	\$3,599,629	\$4,049,583	\$4,499,537

##### (b) Contingent liabilities

###### Legal Matters

From time to time Council is involved in legal matters which are conducted through Council's solicitors. As these matters may yet be finalised, or the financial outcomes are unable to be reliably estimated, no allowance has for these contingencies has been made in the financial report.

###### Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

###### *Future superannuation contributions*

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling \$0 (2021/22 \$0). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 are \$58,000.

###### Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 8 Managing uncertainties (continued)

#### 8.1 Contingent assets and liabilities (continued)

##### MAV Workcare

Council was a participant of the MAV WorkCare Scheme. The MAV WorkCare Scheme provided workers compensation insurance. MAV WorkCare commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required (or received). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by Work Safe Victoria. If required, adjustments will occur at the 3-year and 6-year points during the liability period, and will affect participating members.

#### 8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council assesses the impact of these new standards. As at 30 June 2023 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2024 that are expected to impact Council.

#### 8.3 Financial instruments

##### (a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

##### (b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 8 Managing uncertainties (continued)

#### 8.3 Financial instruments (continued)

##### **Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have been significant during the year and have had an impact on the Council's year end result.

##### **(c) Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- council have a policy for establishing credit limits for the entities council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 8 Managing uncertainties (continued)

#### 8.3 Financial instruments (continued)

##### (d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
  
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

##### (e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end RBA cash rate of 4.1%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

#### 8.4 Fair value measurement

##### *Fair value hierarchy*

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 8 Managing uncertainties (continued)

#### 8.4 Fair value measurement (continued)

##### *Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. (For plant and equipment carrying amount is considered to approximate fair value given short useful lives). At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to five years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

<b>Asset class</b>	<b>Revaluation</b>
Land	Biennial
Buildings	Biennial
Roads	1 to 4 years
Bridges	1 to 4 years
Footpaths and cycleways	1 to 4 years
Drainage	1 to 4 years
Recreational, leisure and community facilities	Not scheduled
Waste management	Not scheduled
Parks, open space and streetscapes	Not scheduled
Other infrastructure	Not scheduled

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

##### *Impairment of assets*

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

#### 8.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>(a) Asset revaluation reserves</b>			
<b>2023</b>			
<b>Property</b>			
Land and land improvements	54,793	(2,881)	51,912
Buildings	39,150	6,821	45,971
	<u>93,943</u>	<u>3,940</u>	<u>97,883</u>
<b>Infrastructure</b>			
Roads	89,788	20,010	109,799
Other infrastructure	11,467	-	11,467
	<u>101,255</u>	<u>20,010</u>	<u>121,266</u>
<b>Total asset revaluation reserves</b>	<b><u>195,198</u></b>	<b><u>23,951</u></b>	<b><u>219,149</u></b>
<b>2022</b>			
<b>Property</b>			
Land and land improvements	38,494	16,299	54,793
Buildings	35,335	3,815	39,150
	<u>73,829</u>	<u>20,114</u>	<u>93,943</u>
<b>Infrastructure</b>			
Roads	89,788	-	89,788
Other infrastructure	11,467	-	11,467
	<u>101,255</u>	<u>-</u>	<u>101,255</u>
<b>Total asset revaluation reserves</b>	<b><u>175,084</u></b>	<b><u>20,114</u></b>	<b><u>195,198</u></b>

The asset revaluation reserve is used to record the movement in fair value of Council's assets over time.

Notes to the Financial Report  
For the Year Ended 30 June 2023

Note 9 Other matters (continued)  
9.1 Reserves (continued)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2023</b>				
Clunes caravan park reserve	7	-	-	7
Heritage advisory fund	20	-	-	20
Mineral springs financial reserve	1,273	1,070	(858)	1,485
Mt Beckworth pit reserve	28	-	-	28
Public open space reserve *	2,008	396	(561)	1,842
Smeaton hill pit reserve	74	-	-	74
Waste management reserve	77	5,590	(4,866)	801
Staff accommodation and Birch ward Facilities	-	2,132	(22)	2,109
<b>Total Other reserves</b>	<b>3,486</b>	<b>9,187</b>	<b>(6,307)</b>	<b>6,367</b>
<b>2022</b>				
Clunes caravan park reserve	7	-	-	7
Debt management reserve	1,792	-	(1,792)	-
Heritage advisory fund	20	-	-	20
Mineral springs financial reserve	1,060	599	(386)	1,273
Mt Beckworth pit reserve	28	-	-	28
Public open space reserve *	1,526	497	(16)	2,008
Smeaton hill pit reserve	74	-	-	74
Waste management reserve	(565)	4,962	(4,320)	77
<b>Total Other reserves</b>	<b>3,942</b>	<b>6,058</b>	<b>(6,514)</b>	<b>3,486</b>

\* Indicates statutory reserve

Public Open Space Reserve is used to hold developer contributions towards public open infrastructure arising from property developers undertaking property subdivisions.

Mineral Springs Financial Reserve is to fund future works associated with mineral springs across the municipality and the refurbishment of the spa complex.

Staff accommodation and Birch ward facilities reserve was created following the sale of The Rex and is to be used towards solutions for staffing accommodation and community facilities.

**Notes to the Financial Report  
For the Year Ended 30 June 2023**

**Note 9 Other matters (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	(2,594)	(5,565)
Depreciation/amortisation	8,750	8,469
Loss on disposal of property, infrastructure and plant	2,973	1,346
Contributions - non monetary	0	(38)
Interest expense	146	188
Write off of Work in Process	1,722	3,812
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(32)	(2,318)
(Increase)/decrease in prepayments	62	13
Increase/(decrease) in trade and other payables	389	1,553
(Decrease)/increase in unearned income / revenue	(5,651)	1,307
(Decrease)/increase in other liabilities	(18)	34
(Increase)/decrease in inventories	4	2
Increase/(decrease) in provisions	(26)	300
Increase/(decrease) in trust funds / deposits	327	(36)
<b>Net cash provided by/(used in) operating activities</b>	<b>6,052</b>	<b>9,069</b>

**9.3 Superannuation**

Hepburn Shire Council makes many of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

**Accumulation**

Council makes both employer and employee contributions to The Fund's accumulation category, Vision MySuper/Vision Super Saver, on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%)).

**Defined Benefit**

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 9 Other matters (continued)

#### 9.3 Superannuation (continued)

##### Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns 5.7% pa

Salary information 3.5% pa

Price inflation (CPI) 2.8% pa

As at 30 June 2022, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category.

The vested benefit index (VBI) of the defined benefit category of which Council is a contributing employer was 102.2%. The financial assumptions used to calculate the VBI were:

Net investment returns 5.5% pa

Salary information 2.5% pa to 30 June 2023, and 3.5% pa thereafter

Price inflation (CPI) 3.0% pa.

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 9 Other matters (continued)

#### 9.3 Superannuation (continued)

##### Employer contributions

##### *(a) Regular contributions*

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10.0% in 2021/2022). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2022 interim valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

##### *(b) Funding calls*

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

##### *The 2022 interim actuarial investigation surplus amounts*

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2022 and the last full investigation was conducted at 30 June 2020.

## Notes to the Financial Report For the Year Ended 30 June 2023

### Note 9 Other matters (continued)

#### 9.3 Superannuation (continued)

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2022 (Interim) \$m	2021 (Triennial) \$m
A VBI surplus	\$44.60	\$214.70
A total service liability surplus	\$105.80	\$270.30
A discounted accrued benefits surplus	\$111.90	\$285.20

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2022.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2022.

The discounted accrued benefits surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2022.

#### *The 2023 triennial actuarial investigation*

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial investigation	2020 Triennial investigation
Net Investment Return	5.7% pa	5.6% pa
Salary Inflation	3.5% pa	2.5% pa for the first two years and 2.75% pa thereafter
Price Inflation	2.8% pa	2.0% pa

#### **Superannuation contributions**

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2023 are detailed below:

Scheme	Type of Scheme	Rate	2023 \$'000	2022 \$'000
Vision super	Defined benefit	10.5% (2022: 10.0%)	50	48
Vision super	Accumulation fund	10.5% (2022: 10.0%)	568	531
Other funds	Accumulation fund	10.5%	864	755

Council has not paid any unfunded liability payments to Vision Super during the 2022/23 and 2021/22 years.

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 is \$58,000.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2023**

**Note 10 Change in accounting policy**

There have been no changes to accounting policies in the 2022/2023 year.

There are no pending accounting standards that are likely to have a material impact on council.